

BONNEVILLE  
INTERNATIONAL  
CORPORATION

Broadcast House  
P.O. Box 1160  
55 North Third West  
Salt Lake City, Utah 84110-1160  
Phone (801) 575-7565  
Fax (801) 575-7567

Bruce T. Reese  
Executive Vice President  
Chief Operating Officer

DOCKET FILE COPY ORIGINAL

September 15, 1995

**BY HAND DELIVERY**

William F. Caton, Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

**RECEIVED**

**SEP 15 1995**

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

95-91

Re: Satellite Digital Audio Radio  
General Docket 90-357, Rm. No. 8610

Dear Mr. Caton:

This letter is written in response to the Federal Communication Commission's Notice of Proposed Rulemaking regarding Satellite Digital Audio Radio ("DARS") on behalf of Bonneville International Corporation ("Bonneville")<sup>1</sup> to express its view that authorization of a new satellite DARS service would have a significant negative effect on terrestrial broadcasters. DARS will have a definite, harmful economic impact on existing terrestrial stations, as increased competition for and the resulting loss of listeners will lead to decreased revenues and station resources. The public interest will be disserved by the diminution of terrestrial stations' local and community interest programming.

Given the severe adverse impact that will be caused to local broadcast service, Bonneville submits that it would be contrary to the public interest to authorize DARS. DARS is wholly inconsistent with the bedrock principle of localism embodied in the Communications Act. Authorization of DARS service will destroy existing local terrestrial broadcast service — a service that is without equal worldwide. Bonneville further submits that if DARS is authorized, it must go forward as a subscription-only service. In addition, the subscription service should not be supported by advertising dollars. This is necessary to avoid problems with defining the

WMXV (FM)  
New York

KBIG (FM)  
Los Angeles

WTMX (FM)  
Chicago

KOIT (AM)  
KOIT-FM  
San Francisco

KDGE (FM)  
KZPS (FM)  
Dallas

KINF (AM)  
KIRO (AM)  
KIRO-FM  
Seattle

KIDR (AM)  
KHTC (FM)  
Phoenix

KCMO (AM)  
KMBZ (AM)  
KCMO-FM  
KLTH (FM)  
Kansas City

KSL (AM)  
KSL-TV  
Salt Lake City

Bonneville  
Communications  
Salt Lake City

Bonneville  
Entertainment  
Salt Lake City

Video West Productions  
Salt Lake City

Bonneville  
News Bureau  
Washington, D.C.

No. of Copies rec'd 0+5  
List ABCDE

1

**Bonneville operates 17 radio stations in major broadcast markets.**

nature of subscription service and to avoid potential abuse. Such classification is critical to the continued viability of terrestrial stations and the survival of local broadcast service.

### ECONOMIC IMPACT

Though the success of DARS is presently only speculative, even with only modest results the economic harm to existing radio stations would be great. Given the current economic conditions of many stations, especially those in small markets, the additional fragmentation of the listening audience could result in forcing many stations off the air. The Report and Order issued in January 1995 reflects that other commenters have already noted the many reasons local broadcasting should be protected and furthered in its efforts to meet local programming needs. To that end, the Commission must consider the wisdom of authorizing a service that would directly and adversely affect these efforts.

In theory, DARS would provide rural areas of the country with "major market" quality broadcast signals. DARS proponents assert that they can target services to minority and ethnic groups, non-English speaking audiences and children. In reality, however, the investment to develop the DARS service will be so great that DARS licensees will be compelled to employ their channels to target the most popular existing radio formats in order to recoup their investment. With this competition for listeners, many terrestrial-based radio stations in both small and large markets will be driven out of business.

The potential impact is illustrated by the following hypothetical station. A station with an "Adult Contemporary" format with a 6.0 Share, 12+, can expect to generate a Power Ratio of 1.5. In other words, the station's audience share may be a 6.0 but the revenue share (% of dollars taken out of the market) would be a 9.0. In a \$50 million dollar radio market the station should expect to bill \$4.5 million. If DARS enters the picture, with its ability to target the entire country (thus hiring the best talent, running the biggest promotions, etc.), and the hypothetical station loses a conservative estimate of just one share, the impact would be as follows:

$$5.0 \text{ Share} \times 1.5 \text{ Power Ratio} = 7.5 \text{ Revenue Share} \times \$50 \text{ Million} = \$3.75 \text{ Million}$$

The station thus loses \$750,000 in annual revenues. The impact would obviously be even greater if 1.5-2.0 Audience Shares are lost, or if the station is in a small market with limited resources to spend on its on-air talent and station promotions. The lost revenues will translate into lost jobs and lost local and public service programming.

Using a real-world example, KSL Radio in Salt Lake City, Utah, the actual economic and public interest impact is even clearer. KSL Radio provides locally generated news and talk programming. KSL Radio is involved in an ongoing program to get drunk drivers off the road, recognizes outstanding teachers on a weekly basis, conducts an annual Radiothon for a local children's hospital, and provides many other services to the community and to its listening audience. As of August 30, 1995, KSL Radio's 12+ Share was a 6.3, it had a Revenue Share of 13.6 and a Power Ratio of 2.16. Based on a \$44 million dollar radio market, the station should

theoretically bill approximately \$6,000,000. Conservatively assuming that KSL Radio would lose one share of audience to DARS, the impact would be as follows:

$$5.3 \text{ Share} \times 2.16 \text{ Power Ratio} = 11.45 \text{ Revenue Share} \times \$44 \text{ Million} = \$5,038,000.$$

Nearly \$1,000,000 would be lost in annual revenue. In order to achieve break-even status, KSL Radio would have to reduce expenses by approximately \$600,000. To accomplish this would mean elimination of local talk hosts, producers and nearly half of the news department.

The bottom line is that DARS will be a direct financial competitor with terrestrial-based radio. It will put stations off the air, eliminate existing jobs and limit a station's ability to provide local programming and public service. In addition, it must be recognized that the threat to existing broadcast service is not diminished by the claim that satellite DARS is a national, rather than local, service. Obviously the introduction of hundreds of broadcast signals in a market — even if national signals — will have a severe economic impact and will undermine the local terrestrial broadcast service that has well-served our nation for decades.

### PUBLIC INTEREST OBLIGATIONS

Broadcasters have a general obligation to the public interest, convenience and necessity, and are required to meet specific public interest obligations. Bonneville believes that if DARS is authorized, licensees ought to be required to meet the same general and some of the same specific public interest obligations that are expected of terrestrial broadcasters. This should particularly be required if DARS licensees do not pay for their spectrum.

For example, just as radio broadcasters are held responsible by the FCC to monitor and thereby know the content of any English or non-English audio programming carried on their station to verify that the content is not obscene, that no personal attacks are made, etc., satellite DARS licensees should be held responsible for the content of their service. They ought to be required to comply with equal time provisions and they should be expected to ascertain community issues and maintain public inspection files containing lists of programs aired that address community issues.

Bonneville believes that public service programming provided by the satellite DARS audio signals would enhance an otherwise primarily music-only service. Such public interest benefits far outweigh the costs of providing additional news and informational programming for the underserved areas of the country — one of the very reasons for the initiation of these services — and Bonneville is convinced that to require the same would not hamper the development, deployment and success of these services. Bonneville feels that music-programmed channels should be required to carry news, information, PSAs and public service programming. The public relies upon these kinds of programs to educate it regarding basic community issues and to prepare it for elections, emergencies and other community events. Although some may regard such programming as an intrusion on music programming, the public benefit outweighs the burden. Thus, Bonneville believes some public interest obligations should be imposed on every

DARS channel, just as they are in terrestrial radio service where each must provide public service information regardless of what other stations in the market are doing or who owns them.

To the extent that the Commission continues to place EEO obligations on its broadcast licensees, satellite DARS service providers ought to be required to develop and carry out an EEO program designed to ensure that potential employees are not discriminated against on the basis of race, color, religion, national origin or sex. As national service providers, they could be expected to meet nationally-based requirements.

#### GAP FILLERS/SPOT BEAMS

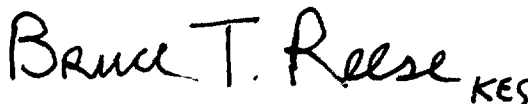
Some proponents of satellite DARS have suggested that gap fillers and spot beams be used to augment their service. Bonneville is fundamentally opposed to the use of gap fillers or spot beams in any DARS service authorized by the Commission. DARS has been presented to the Commission by its proponents as a national satellite service. It is not and should not be a terrestrial broadcast service. Any utilization of gap filler or spot beam technology will only further erode the service provided by existing terrestrial broadcasters and bring about the demise of local broadcast service as we know it.

#### CONCLUSION

In conclusion, Bonneville submits that, given the substantial negative impact that will be caused to local broadcast service, the Commission should not authorize satellite DARS. If the Commission determines to go forward, DARS should be implemented on a subscription-only basis, with no advertising component. Public interest obligations should be imposed. Use of gap fillers and spot beams should not be permitted. The above is necessary to insure that existing local broadcast service can survive in an already competitive local marketplace.

Sincerely,

Bonneville International Corporation

 KES

By: Bruce T. Reese  
Executive Vice President

cc: Chairman Reed Hundt  
Commissioner James Quello  
Commissioner Andrew Barrett  
Commissioner Susan Ness  
Commissioner Rachelle Chong